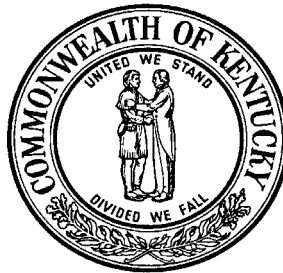


**REPORT OF THE AUDIT OF THE
PERRY COUNTY
SHERIFF**

**For The Year Ended
December 31, 2004**



**CRIT LUALLEN
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Denny Ray Noble, Perry County Judge/Executive

Honorable Pat Wooton, Perry County Sheriff

Members of the Perry County Fiscal Court

The enclosed report prepared by Morgan-Franklin, LLC, Certified Public Accountants, presents the statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Perry County, Kentucky, for the year ended December 31, 2004.

We engaged Morgan-Franklin, LLC to perform the audit of this statement. We worked closely with the firm during our report review process; Morgan-Franklin evaluated the Perry County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE PERRY COUNTY SHERIFF

**For The Year Ended
December 31, 2004**

Morgan-Franklin, LLC has completed the Perry County Sheriff's audit for the year ended December 31, 2004. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$6,958 from the prior year, resulting in excess fees of \$55,277 as of December 31, 2004. Revenues increased by \$219,733 from the prior year and expenditures increased by \$164,456.

Report Comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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The Honorable Denny Ray Noble, Perry County Judge/Executive
Honorable Pat Wooton, Perry County Sheriff
Members of the Perry County Fiscal Court

Independent Auditors' Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Perry County, Kentucky, for the year ended December 31, 2004. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Sheriff for the year ended December 31, 2004, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated June 24, 2005 on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Perry County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

Morgan - Franklin, LLC

Morgan-Franklin, LLC

Audit fieldwork completed -
June 24, 2005

PERRY COUNTY
PAT WOOTON, COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2004

Revenues

State Grants		\$	49,530
State Fees For Services:			
Finance and Administration Cabinet	\$	135,007	
Cabinet For Human Resources		482	
Buckhorn Lake Contract		12,755	148,244
Circuit Court Clerk:			
Sheriff Security Service	\$	11,020	
Fines and Fees Collected		960	
Court Ordered Payments		7,800	
Restriction Court Order		200	19,980
Fiscal Court			21,856
County Clerk - Delinquent Taxes			5,395
Commission On Taxes Collected			306,981
Fees Collected For Services:			
Auto Inspections	\$	10,573	
Accident and Police Reports		21,893	
Serving Papers		22,949	
Carrying Concealed Deadly Weapon Permits		7,350	62,765
Other:			
ARH	\$	7,150	
Sheriff's Add On Fees		65,817	
Sheriff's Fees On Taxes		2,815	
Refunds		6,468	
Purdue Pharmaceutical Grant		10,000	
HIDTA - Wages		43,023	
HIDTA - Vehicle		3,609	
UNITE		68,194	207,076

The accompanying notes are an integral part of this financial statement.

PERRY COUNTY
PAT WOOTON, COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2004
(Continued)

Revenues (Continued)

Interest Earned		\$	2,733
Borrowed Money:			
State Advancement	\$	176,156	
Bank Note		<u>65,000</u>	<u>241,156</u>
Total Revenues		\$	1,065,716

Expenditures

Operating Expenditures:

Personnel Services-			
Deputies' Salaries	\$	243,988	
Justice Center Personell		136,888	
UNITE Personell		76,686	
HIDTA Personell		<u>48,549</u>	\$ 506,111
Employee Benefits-			
Employer's Share Social Security		22,569	
Employer's Share Retirement		<u>1,954</u>	24,523
Materials and Supplies-			
Uniforms			18,949
Auto Expense-			
Gasoline	\$	40,815	
Maintenance and Repairs		36,700	
Vehicle Insurance		12,258	89,773
Other Charges-			
Radio Expense	\$	2,400	
Postage		5,684	
Copier		2,937	
Insurance		654	

The accompanying notes are an integral part of this financial statement.

PERRY COUNTY
PAT WOOTON, COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2004
(Continued)

Expenditures (Continued)

Other Charges- (Continued)

Computer Service	\$	2,350	
Carrying Concealed Deadly Weapon Permits		3,630	
Miscellaneous		11,487	
Local Law Enforcement Block Grant		5,556	
Phone		4,244	
Fax Machine		683	
Pagers and Cell Phone		1,295	
POPS Testing and Physical & Drug Testing		781	
Fiscal Court - Paper Fee		8,860	
Unemployment Insurance		<u>12,000</u>	\$ 62,561

Debt Service:

State Advancement	\$	176,156	
Bank Note		65,000	
Interest		<u>867</u>	242,023

Total Expenditures			<u>\$ 943,940</u>
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Net Revenues			\$ 121,776
Less: Statutory Maximum	\$	64,953	
Training Incentive		<u>1,546</u>	<u>66,499</u>

Excess Fees Due County for 2004			\$ 55,277
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Payments to Fiscal Court - March 14, 2005			<u>55,277</u>
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Balance Due Fiscal Court at Completion of Audit			<u><u>\$ 0</u></u>
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The accompanying notes are an integral part of this financial statement.

PERRY COUNTY
PAT WOOTON, COUNTY SHERIFF
NOTES TO FINANCIAL STATEMENT

December 31, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Sheriff as determined by the audit. KRS 134.310 requires the County Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2004 services
- Reimbursements for 2004 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2004

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

PERRY COUNTY
PAT WOOTON, COUNTY SHERIFF
NOTES TO FINANCIAL STATEMENTS
December 31, 2004
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent for the first six months and 8.48 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent for the first six months and 22.08 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December, 30, 2004 the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Note Payable

The office of the Perry County Sheriff is liable for an unsecured note payable to Peoples Bank and Trust in the amount of \$15,000. The note matures on March 27, 2005 and the interest rate is 6.0 percent. The office of the County Sheriff was in compliance with the terms of the agreement as of December 31, 2004. This note was executed on December 27, 2004 to provide proceeds to cover payroll and other office expenses until tax commissions became available for the 2005 calendar year.

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COMMENT AND RECOMMENDATION

PERRY COUNTY
PAT WOOTON, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2004

INTERNAL CONTROL - REPORTABLE CONDITIONS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

The Perry County Sheriff has a weakness in his internal controls due to a lack of adequate segregation of duties. To have better internal controls, it is a best practice to keep the receipt of cash, the disbursement of cash, and the posting of cash to the ledgers delegated to separate individuals. We recommend that a qualified office employee independent of check writing and posting duties, match purchase orders to checks and invoices. Also, we recommend that the person opening the mail keep a listing of all checks received for that day, detailing the date received, the check amount, who it is from, and what the check is for.

Sheriff's Response: None

PRIOR YEAR:

- The Sheriff Should Stay Within The Maximum Amount Allowed By The Fiscal Court For Deputies

This has been corrected.

- The Sheriff Should Present A Final Settlement To The Fiscal Court

This has been corrected.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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The Honorable Denny Ray Noble, Perry County Judge/Executive
Honorable Pat Wooton, Perry County Sheriff
Members of the Perry County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Perry County Sheriff for the year ended December 31, 2004, and have issued our report thereon dated June 24, 2005. The County Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Perry County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comment and recommendation.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Perry County Sheriff's financial statement for the year ended December 31, 2004, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development, and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Morgan - Franklin, LLC

Morgan-Franklin, LLC.

Audit fieldwork completed -
June 24, 2005

